



## **BUDGET SPEECH FOR 1986-87**

**Shri K. M. MANI**

**21<sup>st</sup> March, 1986**

Sir,

I present the Budget for 1986-87 before the House.

2. After successfully implementing the Sixth Plan, we are about to complete the first year of the Seventh Plan. The Seventh Plan was finalised in discussions with the Planning Commission, after the presentation of the current year's Budget. We have undertaken the strenuous task of raising resources for a Plan outlay of Rs.2100 crore. We shall certainly accomplish that task just as we did in the case of the Sixth Plan. Simultaneously we should also proceed with the implementation of the Plan, with diligence and dedication. We have to accelerate the pace of development of our economy and guide it on to the dawn of the twenty-first century. This is my concept of Plan performance.

3. Let me now proceed to give a brief description regarding the financial position at the end of the Sixth Plan and the finalisation of the outlay for the first year of the Seventh Plan.

4. While presenting the Budget for the current year, I had explained the estimation regarding the closing deficit of 1984-85. According to the revised estimates prepared against the background of the discussions between our officers and officers of the Central Government, the year was expected to close with a deficit of Rs.297 crore. However, in my Budget Speech I had assured that efforts would be made to reduce the deficit. I am happy to inform the Hon'ble Members that this effort succeeded beyond expectation. In the place of the deficit of Rs.297 crore assessed by the Planning Commission, the actual closing deficit of 1984-85 was only Rs.205 crore; that is to say, we could reduce the deficit by Rs.92 crore.

5. As we could achieve such a substantial improvement in a short period, the discussions held in 1985 May for finalising the Annual Plan of 1985-86 were quite successful. The Planning Commission fully endorsed the Annual Plan of Rs.355 crore which we had included in the Budget. This approval was accorded by the Planning Commission as we had proved our ability to raise necessary resources, with the actual performance of a substantial reduction in last year's closing deficit. The Planning Commission also offered to give us advance plan assistance of Rs.100 crore.

6. Resources discussions for the Annual Plan 1986-87 were held at the level of officials in November 1985. The picture of resources availability for next year's Plan which emerged from these discussions was better than the corresponding position last financial year. However, the resources located in the discussions held in November 1985 were not adequate for a reasonable Plan in 1986-87. Anxiety was expressed in many quarters whether the State would be able to formulate a better Plan for the next year.

7. It was against this background that the Chief Minister and myself had discussions with the Deputy Chairman, Planning Commission in January 1986. We explained to the Commission the details of the intense resources mobilisation efforts undertaken by us. Further, we also promised to raise whatever additional resources are necessary for the next year's Plan. The

Commission, accepting this promise and offering an advance of Rs.75 crore, approved an outlay of Rs.390 crore for 1986-87. In the Budget Estimates submitted now, I have included, in addition to the Plan expenditure of Rs.390 crore, other developmental expenditure on Central Sector and Centrally Sponsored Schemes amounting to Rs.161 crore. The total developmental expenditure in the Budget Estimates 1986-87 is accordingly Rs.551 crore. Towards the end of this Speech I shall give a more detailed outline of the financial management which made this achievement possible.

### **Departmental Schemes**

8. I shall now attempt a brief review of the activities of the Government.

9. Due to low economic returns, the area under rice cultivation in the State has been decreasing in recent years. Therefore various programmes have already been undertaken for the improvement of paddy production. The expenditure estimated to be incurred for the programme for the year 1985-86 is Rs.2.48 crore. Fertiliser subsidy at Rs.100 per hectare has been granted for rice cultivation in Kole and Kayal lands. Price fall of coconut is the most disquieting development in the field of agriculture. Government is committed to solve this serious problem faced by the coconut cultivators. With the assistance of the Coconut Development Board and the Government of India, coconut development schemes are being implemented. As part of the programme for the eradication of root wilt disease, the agriculture department has been paying compensation at the rate of Rs.75 per coconut palm. About 58,000 diseased and uneconomic coconut palms have been cut and removed under the scheme during 1985-86. A number of schemes have been taken up to increase the production of cashew nuts. Under the scheme Multi-State Cashew Project, the department is providing subsidy at the rate of Rs.900 per hectare to new cashew plantations. Quality pepper planting materials at subsidised cost are being distributed to cultivators. With a view to tapping renewable sources of energy, 1145 bio-gas plants have been installed during 1985-86 under the centrally sponsored scheme National Project for Bio-gas Development. An amount of Rs.75 lakh is set apart for the scheme in 1986-87. Government have by now made sizable investment in the propagation of oil palm cultivation. The investment will achieve its desired effect only when adequate extracting and processing facility is built up. For establishing this facility in the public sector, an amount of Rs. one crore is set apart as government's share capital contribution to the Oil Palm India Ltd.

10. The strategy during the Seventh Plan for the development of fisheries is to help the traditional fishermen in the marine sector. The State Co-operative Federation for Fisheries Development (MATSYAFED) was formed in order to give organisational support to implement this programme in the new perspective. Supply of production inputs such as country crafts, out-board motors and fishing gears, establishment of landing facilities, marketing of fish under the co-operative sector etc. are some of the programmes contemplated under the scheme. The assistance from National Co-operative Development Corporation is also being received for the programme. Implementation of welfare schemes for housing, insurance against accidents etc. has provided substantial relief to fishermen. The formation of the Fishermen Welfare Fund will enable the implementation of more welfare schemes during the coming years. Another scheme which is given top priority in the fisheries sector relates to the promotion of aquaculture in the inland waters. The programmes proposed to be undertaken under the scheme during 1986-87 are the survey of brackish water areas, establishment of fish seed farms and seed depots, formation of Fish Farmers' Development Agencies and establishment of prawn hatcheries. We have not so far made adequate efforts to exploit the substantial potential available for deep sea fishing. It has now been decided to make a sizable investment in the sector. An amount of Rs.3.2 crore is being set apart in 1986-87 to purchase two deep sea fishing trawlers.

11. The forestry programmes for 1986-87 lay emphasis on the protection of natural forests and for the planting of new areas. Under the planting programme, the social forestry scheme

is being vigorously implemented. The outlay for this scheme in 1986-87 is Rs.9.5 crore. An amount of Rs.32 lakh is being provided for the development of the Silent Valley as a National Park.

12. Poverty alleviation and employment generation schemes such as IRDP, NREP, RLEGP etc. will be effectively implemented. During 1986-87, 27,000 new families and 81,000 old families will be assisted under IRDP. The outlay for the scheme is Rs.17 crore against the current year's allocation of Rs.15 crore. During the 6<sup>th</sup> Plan, the State Government spent an amount of Rs.77 crore under NREP and generated 5.25 crore man days. A large number of community assets such as roads, houses, wells, school buildings, community halls etc. were created during the period. Works for an estimated cost of Rs.42 crore are in progress under the scheme and they will be continued in 1986-87. The outlay for the scheme in 1986-87 is Rs.19 crore against the current year's outlay of Rs.16 crore. In addition to continuing spill-over works for an estimated cost of Rs.15 crore during 1986-87, new projects such as 10,000 group houses for the benefit of scheduled castes/scheduled tribes will be taken up. The outlay under RLEGP in 1986-87 is Rs.10 crore. On the model of the national level organisation People's Action for Development India, a society has been registered at the State level as a nodal agency for voluntary organisations. This is intended to assist the voluntary organisations, technically and financially in the preparation of projects for rural development.

13. Co-operatives have been playing an important role in respect of agricultural credit and agricultural marketing. Against the targeted credit operation of Rs.370 crore towards short-term, medium term and long term loans in 1985-86, the anticipated achievement is around Rs.398 crore. During 1986-87 the target is Rs.415 crore. It will be the endeavour of the Government to provide through co-operatives at least 75% of the agricultural credit requirement by the end of the 7<sup>th</sup> Five Year Plan. The Interest Subsidy Scheme will be continued on a permanent basis. The marketing co-operatives are estimated to handle agricultural produce to the tune of Rs.95 crore in 1986-87. One of Kerala's traditional export items is ginger. The export market for this commodity has declined. Government will try to help solve this problem through co-operatives and other similar institutions.

14. Top priority will be given for the completion of the ongoing major and medium irrigation projects. Of the 19 major and medium irrigation projects under construction, 9 projects – Kallada, Pampa, Periyar Valley, Chitturppuzha, Kanjirappuzha, Kuttiady, Pazhassi, Chimmini and Karappuzha – will be completed during the Seventh Plan. Muvattupuzha project will also be partially commissioned during the period. Some other schemes in different stages of preparation and execution are Attappady, Kuriarkutty-Karappara, Banasurasagar, Vamanapuram, Meenachil and Chamaravattom. Government of India's clearance has not been received for the Kuriarkutty-Karappara Multipurpose Project due to technical reasons. As the implementation of the project is crucial for the well being of Kozhijampara and other eastern parts of Palghat District adversely affected by frequent droughts, the State Government intends to pursue the matter with Government of India for obtaining their approval and for the early implementation of the project. The total outlay for Irrigation Projects in 1986-87 is Rs.53 crore, which will create additional irrigation potential of 64,000 hectares. For minor irrigation a sum of Rs.7 crore is being provided in 1986-87 against Rs.4 crore for 1985-86.

15. For the construction of new sea walls and for the rebuilding of damaged sea walls under the anti sea erosion programme, an amount of Rs.5.25 crore, is being provided for 1986-87 against the provision of Rs.4 crore in 1985-86. Enhanced provision is made for the flood control works also during 1986-87.

16. For the accelerated development of Western Ghats, an amount of Rs.5.63 crore has been set apart in 1986-87. Government propose to take up schemes for area development in other backward regions also. An amount of Rs.1 crore is being set apart for such schemes in Kasargode, Wynad, Malappuram and Idukki districts.

17. The first unit of Idukki Stage-II has been commissioned recently and the second unit will be commissioned tomorrow. This will raise the installed capacity to 1271.5 MW. The third and last unit of Idukki Stage-II will be ready by June 1986. Execution of the Lower Periyar project financed by World Bank is in progress as per schedule. Sanction of the Planning Commission for taking up two mini hydel schemes, viz. Mattupetty and Malampuzha has been just received and preliminary work will be started soon. Priority is being given for early completion of all ongoing projects. It is essential to take up immediately schemes to improve voltage as well as strengthening the transmission system. For this, a World Bank aided comprehensive programme is under execution. Under the crash programme launched in November last year, it has been possible to reduce considerably the huge backlog of pending applications for house connections, line extension, energisation of agricultural pump sets and connections to Small Scale Industries, Harijan and tribal welfare colonies. This programme will be continued in 1986-87 also. It is expected that clearance from the Government of India will soon be available for the Pooyamkutty Hydro-Electric Project with a total energy potential of 720 megawatts.

18. Government are taking all possible steps for accelerating the pace of industrial development in the State. During 1986-87 13,000 educated unemployed persons will get the benefits of the schemes in the small industries sector. Government proposes to give high priority for bringing about, progressively, regional balance in industrial development. In order to achieve this, Industrial Growth Centres will be started in the No-Industry districts of Wynad and Idukki. A provision of Rs.75 lakh is set apart for this programme in 1986-87. State Investment Subsidy Scheme will be continued in all districts where Central Investment Subsidy is not available. An amount of Rs.90 lakh has been set apart for the purpose in 1986-87.

19. Government will provide all possible support to traditional industries. One of the major problems now faced by the coir industry is the decline in export markets. With a view to solving this problem, emphasis has been laid on the development of internal markets for coir during 1986-87. For the growth of the coir industry it is necessary that adequate quantity of husk at reasonable price is made available to the societies. Government have a proposal to introduce a levy system for the collection of husk.

20. New janatha varieties of handloom cloth will be produced and the production of existing janatha items will be increased. The Khadi Board has formulated a scheme to provide additional employment to 2.5 lakh persons during the 7<sup>th</sup> Plan. This will be implemented vigorously.

21. The fortunes of the cashew industry, which provides employment to about 1.5 lakh workers, depend on the fluctuations in the international price of cashew products and the availability of cashew nuts. The migration of this industry to other States, on account of the disparity in the minimum wages between this State and other States has to be curbed. Government have evolved a new scheme for organising the workers of the closed factories into Workers Co-operatives to prevent migration of this industry to other States. A number of such co-operatives have already been formed and all these have been affiliated to a central society called CAPEX.

22. All possible steps will be taken to run the public sector undertakings in the State on profit through full capacity utilisation and efficient management. Under the scheme One Taluk One Industry, many projects have been taken up for implementation by various agencies, out of which 27 projects have been completed. The Kerala State Industrial Development Corporation has continued to play an important role in the industrial development of the State particularly in setting up a large number of projects in the joint sector. Currently 44 projects are under construction involving a total capital cost of Rs.120 crore and direct employment potential of 4,500. For investment in new viable projects approved by the Public Enterprises Board, an amount of Rs. one crore is being specifically provided for 1986-87.

23. The Kerala State Road Transport Corporation proposes to replace 350 over-aged buses during 1986-87. The facilities available in the workshops for repair and maintenance of vehicles will be augmented. One more regional workshop will be commissioned in 1986-87. The reorganisation of the Transport Corporation will be undertaken next year.

24. Improvement in the efficiency of cargo handling in the intermediate and minor ports will be ensured. Dredging of channels, purchases of new tugs to replace the old ones, construction of wharfs etc. are the programmes proposed for 1986-87. The efficiency of the workshops will also be improved.

25. An Inland Water Authority to co-ordinate the activities of the different agencies engaged in inland water transport is proposed to be constituted for which an amount of Rs.10 lakh has been set apart in 1986-87. Neendakara-Cheriazheekkal canal is expected to be completed during 1986-87. The second stage of the Champakkara canal in Ernakulam district estimated to cost Rs.155 lakh will be taken up immediately on getting the clearance of Government of India.

26. The Government have been giving due priority for the development of tourism in the State. The total outlay for tourism in 1986-87 is Rs.150 lakh against the current year's outlay of Rs.130 lakh.

27. A Pre-Degree Board which will be responsible for revising and updating the curriculum at the Plus 2 stage will be established to conduct pre-degree course and examinations. To meet the educational needs of the people at all levels and to provide facilities for continuing non-formal education to all sections of the population, the establishment of an Open University is under consideration. A Special Officer has been appointed to submit a report for the establishment of Sanskrit University. For meeting the growing demand for manpower in electronics and related areas, an Institute for Manpower Development in Electronics will be established at Trivandrum with the assistance of the Government of India. The Lal Bahadur Sastri Engineering Research and Consultancy Centre will be upgraded to act as a nodal agency for various training programmes in the State. Women's Polytechnics will be set up in Cannanore, Kottayam and Alleppey districts.

28. Our State has a well-developed and well-organised healthcare delivery system with a doctor-population and bed-population ratio, which is the highest in India. The birth-rate and the death-rate have been brought down to 24.9 and 6-7 respectively per thousand population and the infant mortality rate to 30 per 1000 live-births. Under the 20-point Programme, 504 sub-centres and 102 primary health centres have been established during 1985-86. The ultimate objective is to provide one primary health centre for 30,000 population in plains and one primary health centre for 20,000 population in hilly and tribal areas. Establishment of a Sports Medicine Laboratory for improving the performance of sportsmen through scientific methods and co-ordination of research programmes in medical field through the State Board of Medical Research are the new schemes proposed for 1986-87. It has been decided to elevate the Calicut Medical College Hospital as a referral hospital. The Regional Cancer Centre, Trivandrum has been declared as a Science and Technology Institute in the field of cancer with the result that the Centre would be able to take up more research schemes with the financial support from Government of India.

29. The work relating to seven water supply schemes estimated to cost Rs.28 crore with bilateral assistance from the Government of Netherlands is in progress. Yet another scheme to provide water supply to Pavaratty and adjoining Panchayats having an estimated outlay of Rs.10 crore is under negotiation with the Netherlands Government. In addition to the above, a comprehensive scheme for the augmentation of water supply to Quilon, Kottayam, Greater Cochin, Calicut, Cannanore, Vilappil, Adoor, Chithara, Puthencruz and also to provide low cost sanitation schemes in selected municipalities and rural areas has been taken up and its documentation and

credit effectiveness commenced. About 85% of the urban population and 55% of the rural population have already been provided with protected water supply.

30. A large number of families were rendered homeless on account of natural calamities. Apart from providing immediate relief to them, a massive rehabilitation housing programme for the victims of natural calamities was launched in the State to cover over one lakh families. Under the first phase of the Subsidised Aided Self-help Housing Scheme 25,000 houses were completed for the economically weaker sections and the second phase with 50,000 houses has commenced during the year. The distribution of 8,000 house sites was made under the 20-point programme during the current year. Integrated shelter projects are being planned in different parts of the State. The State Government is evincing keen interest in promoting low cost techniques in house building. Emphasis is also being laid on training skilled workers in construction techniques.

31. The concern for Scheduled Castes and Scheduled Tribes has been at the core of the Government policies in the recent years. The fleet strength owned by Harijan motor co-operative societies will be increased and new societies will be formed in districts where they are not available. Facilities are being provided to the members of Scheduled Castes and Scheduled Tribes to acquire new skills like computer technology, TV technology, motor repairing, masonry etc. Government will arrange short-term courses with expert facility, for Scheduled Castes and Scheduled Tribes so as to enable them to appear for entrance examinations. Efforts are being made to link masonry-trained hands with the construction programmes connected with NREP and RLEGP so as to give them immediate employment. In 1986-87 a course in Two-Wheeler mechanism will be conducted for the benefit of Scheduled Castes and Scheduled Tribes in collaboration with the Engineering College, Trivandrum. A survey of all the scheduled castes households will be undertaken in 1986-87 to identify their developmental needs. The construction of community halls in various Harijan colonies has been completed. A total plan outlay of Rs.12.5 crore has been set apart in 1986-87 for programmes relating to Scheduled Castes and Scheduled Tribes, which is higher than the current year's plan outlay by Rs.16 lakh.

32. Special Nutrition Programme and Applied Nutrition Programme are being implemented in urban centres not covered by I.C.D.S. The outlay set apart for these programmes for the next year is Rs.2.3 crore. For school mid-day meal programme the allocation in 1986-87 is Rs.11 crore. This is higher than the current year's outlay by Rs.7.22 crore.

33. During the current year, administrative sanction for 51 road works at an estimated cost of Rs.11 crore has been issued under the MLA's two road scheme. The works already taken up are progressing satisfactorily. Restoration of the roads damaged in the floods of this year, is in brisk progress. The Public Works Department has been streamlined on rational basis. Construction of ten major bridges has been completed during the year. Work on another 16 major bridges is in progress. The Puthuponnani Bridge on the national highway sector has been completed and opened for traffic. Construction of the Legislature Complex is in progress. The Kerala State Construction Corporation has undertaken 80 construction works costing about Rs.38 crore.

34. It has been possible for the Civil Supplies organisation to keep the prices of foodgrains stable throughout Kerala at levels comparable to those prevailing in the neighbouring surplus States. To suit the convenience of ration card holders, 289 new ration shops have been opened in various districts during the past one year. The scheme for opening super markets will be extended to all district headquarters.

35. The Kerala Financial Corporation has substantially improved its performance in all areas in the recent past. It has also made a profit on cash basis in 1984-85 after continuous cash loss. In 1986-87 the Corporation proposes to sanction loans to the extent of Rs.35 crore. The Kerala Financial Corporation has so far advanced Rs.100 crore to 6000 industries.

36. There is considerable backlog of applications for house construction loans from government servants. As this is an important welfare measure implemented by Government for the benefit of their employees, Government propose to make increased provision for the purpose. Accordingly an amount of Rs.6.25 crore is set apart for this purpose in 1986-87.

37. Under the centrally assisted scheme for the modernisation of police force, an amount of Rs.99 lakh will be spent during the current year and the scheme will be continued next year also. Two Regional Chemical Examiners' Laboratories will be started at Kozhikode and Cochin. More fire-fighting vehicles and equipments will be acquired in 1986-87 utilising the loan from the General Insurance Corporation of India. Additional courts and tribunals will be established. Residential accommodation for high court judges and other judicial officers will be provided on a phased manner.

38. It is proposed to set up community bio-gas plants in a few panchayats of the State on an experimental basis. The bio-gas thus produced will be utilised for public purposes like street-lighting. It is expected that the Government of India will substantially assist the scheme. The report of the Panchayat Finance Commission is under the consideration of Government. In selected panchayats in Malappuram, Palghat, Wynad, Cannanore and Kasargode districts where there is acute scarcity of drinking water particularly in dry seasons, a scheme for digging of tube wells will be implemented. A grant of Rs.25,000 is proposed to be given to panchayats for each tube well.

39. The village set up in the State has been reorganised and 203 new villages have been additionally formed recently. The revenue administration, in general, has also been geared to a more expeditious system of disposal of public grievances and delivery of services by simplifying and standardising procedures. A pilot programme of Pattayam pass books has been introduced in four villages and this will be extended to other villages in the State if found successful. Land records are being updated along with the completion of resurvey. A series of steps have been taken to expedite land acquisition for governmental purposes and for other agencies.

40. 1985 has been a year of natural calamity of rare severity causing loss to life and property in the State owing to heavy rainfall, landslides and sea erosion. The entire administration of the State rose to the occasion and carried out prompt measures for providing relief to the people. Utilising the central assistance for flood relief as well as our own contribution for relief expenditure, a comprehensive programme for restoration and reconstruction was undertaken and executed with speed and efficiency.

41. The enforcement wing in the Excise Department is proposed to be strengthened. Effective action will be taken to prevent illicit distillation and smuggling of liquor to the State.

### **New Schemes**

42. Let me now mention some of the new schemes to be introduced during 1986-87.

### **Slab system to be reorganised**

43. There has been some criticism about the slab system of tariff of the K.S.E.B. The main complaint is that the consumer does not get any credit for reduced consumption when his meter readings are taken every six months. Government propose to effect necessary changes in the present system so that any excess payment made by the consumer whose actual consumption was less will be repaid by adjusting it against subsequent bills. Yet another complaint is that under the present system, the consumer has to wait for twelve months for change to a lower slab. This difficulty will also be eliminated by allowing the consumer to change his slab, whenever he wants to do so, on realisation of a small fee. These changes will take effect from 01.04.1986.

## **Agricultural and industrial connections – terms relaxed**

44. Supply of electricity on a priority basis for agricultural and industrial purposes is vital for the economic development of the State. Irrigation can considerably increase agricultural productivity. One of the longstanding demands of the farmers in the State is to exempt electric supply to agricultural pump sets from the minimum guarantee scheme. In view of the necessity to increase agricultural production, Government propose to exempt from the minimum guarantee scheme, new electric connections costing Rs.10,000 or below to pump sets energised after 01.04.1986. Applicants for power connection to small scale industries have now to pay consumer contribution, if the total estimated cost exceeds Rs.5000. Many of the small scale entrepreneurs have represented that they find it difficult to pay large sums as consumer contribution and that they should be brought under the minimum guarantee scheme. As a measure of encouragement to new small scale industrial units, the Government propose to abolish consumer contribution to get power connection in respect of all small scale industrial units and in its place introduce minimum guarantee scheme, irrespective of the estimated cost, from 01.04.1986.

## **Financial assistance to Leprosy and Cancer patients**

45. The financial assistance given to leprosy and cancer patients in indigent circumstances is at present Rs.50 per month. As this amount is inadequate to meet their needs, on humanitarian consideration, the rate of financial assistance will be increased to Rs.100 per month per patient. For this purpose a sum of Rs.10 lakh is set apart.

## **Rehabilitation centres for cured mental patients**

46. There exists, at present, a situation under which a large number of persons cured from mental diseases and leprosy are not accepted into the family fold. Eventhough these persons are fully recovered, because of the special nature of their ailment their relatives fear that their stay with the family might harm the future of other family members. Government propose to implement a scheme for the rehabilitation of these persons cured from leprosy and mental diseases who deserve maximum sympathy and protection both from the society and the Government. The aim of the scheme is to provide to these persons facilities for their residence and employment. For this purpose, rehabilitation centres for these persons will be opened at Trivandrum, Ernakulam and Calicut. An amount of Rs.25 lakh is set apart for this scheme for 1986-87.

## **Share Capital for tailors' co-operatives**

47. One of the solutions for the acute unemployment in the State is the promotion of self-employment schemes. If we are able to select sectors and trades which give maximum opportunities for self-employment programmes and also to ensure employment security, it will be helpful to achieve the above objective. Thousands of youngsters particularly girls are employed in the tailoring trade. Apart from traditional tailors there are several others who are employed in this sector with sewing machines supplied under Integrated Community Development Programme. Tailoring as a trade can be developed and more people could be employed and employment security assured if we are able to strengthen this sector on co-operative lines with bigger capital investment. For this purpose co-operative societies of tailors will be formed at corporation, municipality, taluk and panchayat levels. To these co-operative societies, on the basis of approved yardsticks, Government will contribute an amount towards share capital. A sum of Rs.10 lakh is set apart for this.

## **Relief measures to former Jennies in distress**

48. Several former Jennies, who lost their land as a result of the implementation of the Land Reforms Act and other Jennies, who lost their land on account of the application of tenancy rights, are in distress and privation. Although they were Jennies and owners of land once, they are now driven to poverty. It is essential that some relief measures are undertaken for these categories

of people. It is impossible for the Government to help all those who were deprived of their land. But it is essential to help those who are struggling for existence, in cases where it is proved that the reason for the present state of distress is the result of loss of the income from the land due to the implementation of Land Reforms Act. A scheme to assist them will be implemented in 1986-87. Under this scheme, three types of benefits will be available to former Jemmies in distress.

(a) A person who lost his land as a result of the above measures and who now holds less than 50 cents of land and whose income of the family is less than Rs.3000 per year will be paid Rs.75 per month as pension, if he is above 60 years. The payment will be restricted to one member in a family.

(b) Those who are educated and are willing to undertake self-employment units will be given loan assistance upto Rs.50,000 on differential rate (4%) of interest from the Kerala Financial Corporation to start industrial units according to approved norms. The loss incurred by the Kerala Financial Corporation on interest will be met by the Government.

(c) Subject to the restriction in the Land Reforms Act regarding the assignment of surplus land, a Jenmy in distress will also be included in the priority category of persons eligible for assignment of surplus land.

But a family will be eligible to get the benefit of only one of the above three schemes. A sum of Rs.50 lakh is set apart for the implementation of the scheme.

### **Industrial Schemes for unemployed youth**

49. In addition to the existing self-employment schemes for youth, it is felt necessary to have a scheme for graduates and those with technical qualifications to take up industrial ventures with bigger capital investment. With this end in view a scheme to start industrial ventures of Rs. one lakh capital investment each is proposed to be taken up in 1986-87. The beneficiaries will be selected from the youth who are on the rolls for unemployment allowance, based on an aptitude test and interview to be held district wise in the State. Those who want to join the scheme should surrender their claim for unemployment allowance in return for an interest-free long term loan of Rs.5000 for investment in selected industries. The beneficiary will also have to invest Rs.5000 on his own. He will be eligible for an investment subsidy at the rate of 10% in Trivandrum, Kottayam, Ernakulam, Trichur, Palghat and Calicut districts; 15% in Quilon, Pathanamthitta, Alleppey, Malappuram, Cannanore and Kasargode districts and 25% in Idukki and Wynad districts. The minimum investment subsidy for an industry with Rs. one lakh investment is Rs.10,000. When this is added to the margin of Rs.10,000 raised by the beneficiary and Government together, the capital becomes Rs.20,000. Besides, Kerala Financial Corporation will give Rs.10,000 as special capital loan. On the above capital of Rs.30,000 Kerala Financial Corporation will grant Rs.70,000 as term loan, making a total of Rs. one lakh. It is proposed to start 2000 industries with one lakh investment each under this scheme during next year. The benefit under the scheme can also be extended to youngsters who do not receive unemployment allowance, provided they come forward to invest Rs.10,000 as margin money. All those who are selected to join the scheme will be given training and guidance by Kerala Financial Corporation which will act as the agency for implementing this comprehensive scheme. A sum of Rs. one crore is set apart for this.

### **Paddy Development Authority**

50. Paddy is the most important food crop of our State. Its role in the State's economy is vital. However our production of rice is far less than the requirement. The requirement is over 3 million tonnes a year and our production is only 1.2 million tonnes. The rest is imported from other States. We pay about Rs.700 crore a year for these imports. Though Keralites have been cultivating paddy for centuries, the area under this crop is steadily declining. In 1974-75, 8.81 lakh hectares

were under paddy cultivation. By 1985-86 that has decreased to 7.07 lakh hectares. In 1972-73 Kerala produced 13.76 lakh tonnes of rice. In 1985-86 rice production is only 12.33 lakh tonnes. If we had not gone in for better seed varieties and modern methods of cultivation to increase productivity, the position would have been even worse. While the cost of production of rice per tonne is Rs.3,260 the price it commands in the market is only Rs.3,850. Hence there is a tendency to use paddy lands for cultivating other crops. But we have not been able to analyse in depth the reasons for this change in the prospects of paddy cultivation or to suggest practical remedies. Steps to encourage more extensive paddy cultivation should not be delayed any further. It is necessary to have an expert body to conduct an in depth study of this issue and to tackle effectively the findings of that study. We have to give shape to an organisation which can study the growth prospects and profitability of paddy cultivation in the long term perspective of at least 25 years, without in any way undermining the role of any other crop. What I have in view is not another department, corporation or such other bureaucratic set up, but a high power body of eminent economists, agricultural scientists and administrators. This body should be able to restore the pre-eminent role of paddy cultivation in our agricultural economy. It is proposed to constitute a Paddy Development Authority, with full freedom of thought and action in taking steps to promote this objective. For the preliminary work of the Authority, an amount of Rs.1 crore is set apart in 1986-87.

### **Welfare Fund for Workers**

51. The uplift of agricultural workers and other rural workers under economic stress and strain is the primary duty of a welfare State. The agricultural workers' pension now in force is a step in the right direction. Government consider that a Welfare Fund Scheme which would be beneficial to all rural workers belonging to the economically weaker sections should be started. All rural workers who are between the age of 18 and 58 and whose annual income does not exceed Rs.3000 will be eligible to join the scheme. The worker will have to contribute Rs.5 per month to the fund as his share and the Government will contribute one-fifth of this amount. If he subscribes regularly for a period of 40 years he will get a lump sum of Rs.50,000 on the maturity of the Fund. If the worker ceases to subscribe to the fund he will be entitled to proportionate benefit under the scheme. But only a worker who subscribes to the fund for a minimum period of one year regularly, will be entitled to the benefit. This unique social security scheme will be implemented with the help of gramin banks, service co-operative banks and the nationalised banks through their rural outlets. The benefit under the scheme will be drawn and disbursed by the same banking institution which services the fund. About 10 lakh workers are expected to join the scheme. Rs. one crore is set apart for this scheme.

### **Financial proposals**

52. Now, may I come to the measures for resources mobilisation for 1986-87.

### **Stamp Act Amendments – Action on Commission Report**

53. In the last year's Budget Speech, I had proposed a new system to eliminate the loss caused to Government in Stamp Duty and Registration Fee, resulting to undervaluation of properties in sale documents. It was stated at that time that a Commission would be appointed to study the details and submit a report. Government have received the Commission's report. Government will soon take decisions on the recommendations in the report. The expert advice received by the Government in the context of considering proposals or mobilisation of resources for 1986-87 is that Rs.50 crore could be additionally raised if effective steps are taken to curb undervaluation of properties mentioned above. However, considering the fact that some more time is required for taking policy decisions and to finalise legal procedures, I am assuming an additional yield of Rs.20 crore only in 1986-87.

### **Time limit fixed for issuing Sales Tax Registration Certificates**

54. There are complaints of delay in issuing Sales Tax Registration Certificates to dealers who apply for registration under section 14 of the K.G.S.T. Act. This happens because there is no stipulation of time limit in the Act for disposal of such applications. Henceforth, an application for registration will be disposed of within six weeks after completing necessary enquiries. The Act will be amended to this effect.

### **Revision of Sales Tax Rates of Aviation Turbine Fuel and Jet Petrol**

55. At present, aviation turbine fuel is taxable at 8 per cent and jet petrol at 4 per cent. These rates are much less than those prevailing in the neighbouring States. While aviation gasoline and petrol are being taxed at 12 per cent and 15 per cent respectively there is sufficient justification to raise the sale tax rates of fuels for aircrafts. Hence the rate of tax on aviation turbine fuel and jet petrol will be raised to 10 per cent.

### **Sales Tax on Imported Foreign Liquor**

56. While Indian made foreign liquor is taxable at 55 per cent, there is no justification to limit the rate of tax on imported foreign liquor to 50 per cent. Hence the sales tax on imported foreign liquor will also be raised to 55 per cent.

### **Higher tax for Lifts**

57. Lifts operated by electric, hydraulic or other mechanical power are now treated as machinery and assessed to tax at 8 per cent. This facility generally used in multi-storeyed buildings can bear a slightly higher sales tax. Hence the rate of tax on such lifts will be raised to 15 per cent.

### **Sales Tax on Articles made of P.V.C. Cloth, Water-proof Cloth and Rexine**

58. Under Entry 100 C of the I Schedule to the K.G.S.T. Act, P.V.C. Cloth, Water-proof Cloth and Rexine are taxable at 8 per cent. But articles made using these materials have not been specified in the Schedule and such items cannot be subjected to single-point tax. Hence these articles will also be included in Entry 100 C and taxed at 8 per cent.

### **Sales Tax on Decorative Stones used in Building Construction**

59. Under Entry 105 and 105 A of the I Schedule to the K.G.S.T. Act, glazed tiles, mosaic tiles, mosaic chips, marble tiles, marble slabs and chips and Kadappa stone and slabs are taxable at 15 per cent. But new varieties of such decorative stones are coming into the market and are used on a large scale for building construction. Hence, such decorative stones and other similar articles will also be subjected to 15 per cent sales tax under a new Entry 105 C.

### **Unification of tax rates on Suitcase, Briefcase and Vanity Bag**

60. Under Entry 88 of the I Schedule to the K.G.S.T. Act, suitcases, briefcases and vanity bags sold at Rs.50 and above are taxable at 10 per cent. This causes tax avoidance by undervaluation. Hence the price-based differentiation will be removed and these commodities will be subjected to a uniform rate of 10 per cent irrespective of their price.

### **Tax on iron and steel articles and metallic products**

61. Articles made of iron and steel are taxable at 6 per cent under Entry 45 of the I Schedule to the K.G.S.T. Act, whereas other metallic products are taxable at 8 per cent under Entry 121 of the said Schedule. There are articles made of iron and steel and other metals. To remove doubts as to the exact rate applicable to such products, they will be included under Entry 121 and subjected to tax at 8 per cent.

### **Tax increase for Lubricating Oils**

62. Under Entry 57 of the I Schedule to the K.G.S.T. Act, lubricating oils, greases, brake fluid, transformer oil and other quenching oils are taxable at 7 per cent. These items are taxed at higher rates in the neighbouring States. It is therefore proposed to increase their rates of tax from 7 per cent to 10 per cent.

### **Sales Tax on Lottery Tickets**

63. At present there is no sales tax on lottery tickets in Kerala. Lottery tickets were subjected to sales tax in Tamil Nadu with effect from 28.01.1984 and in West Bengal from 01.04.1984. During the current year nearly 6 crore of Kerala lottery tickets were sold in 19 ordinary draws and three Bumper draws. The turnover in these transactions was Rs.12.5 crore. Nearly 55 lotteries registered outside the State sell their tickets within Kerala with a turnover many times that of Kerala lottery sales. Under a few chief agents, nearly 5000 local agents are handling these sales. It is proposed to levy sales tax on lottery tickets as in Tamil Nadu and West Bengal. Therefore lottery tickets will be included in the I Schedule to the K.G.S.T. Act as a new entry and sales tax will be levied at 10 per cent. This measure is expected to yield an additional revenue of Rs.5 crore per year.

### **Sales Tax exemption to Digital Watches assembled by tribal girls**

64. KELTRON has started an Electronic Digital Watch Factory at Wynad for providing employment to tribal girls. On account of heavy arrivals of cheap imported models, the watches produced by the factory at Wynad are facing stiff competition in the market. In addition to this, these watches are subjected to a levy of 15 per cent sales tax. Therefore, Government proposes to exempt the electronic Digital Watches and Clocks manufactured by the KELTRON factory at Wynad from the levy of sales tax.

### **Sales Tax exemption for Candle**

65. Candle is now taxable at 4 per cent under Entry 170 of the I Schedule to the K.G.S.T. Act. Candle-making provides employment to many in the cottage industry sector. As in the case of many other articles manufactured in this sector, candle will also be exempted from sales tax.

### **Sales Tax exemption for Aloe yarn**

66. Aloe yarn is now taxable at 2 per cent at the point of last purchase in the State under Entry 44 of the I Schedule. Aloe yarn is exclusively produced on a cottage industry basis. It is proposed to exempt this item also from the levy of sales tax.

### **Tax reduction for Organic Manure**

67. Organic manure is taxable at 4 per cent under Entry 84 A of the I Schedule to the K.G.S.T. Act, while chemical fertilisers are taxable only at 2 per cent. There is no justification to levy a higher rate of tax on organic manure. Therefore the sales tax on organic manure will also be reduced to 2 per cent.

### **The reduction for Pesticides and Plant protection chemicals**

68. Under Entry 87 of the I Schedule to the K.G.S.T. Act, pesticides and plant protection chemicals are taxable at 4 per cent. These are agricultural inputs as essential as manures and fertilisers. Hence the rate of the tax on these materials will also be brought down to 2 per cent.

### **Expert Commission for Agricultural Income Tax**

69. At present the Agricultural income tax payable by an assessee is determined on the basis of actual income received by him after deducting the expenses incurred for deriving the

income. Under this system an assessee is bound to keep detailed account of income and expenses, file returns and satisfy the assessing officer about the correctness of his account by giving proper evidence. It has to be considered whether a compounding system of agriculture income tax as in Tamil Nadu, based on the area, fertility, crops and income from the land, should be introduced to replace the existing system. The complaint that the present system of levy based on the actual income of the assessee turns out to be advantageous to some and disadvantageous to others cannot be ignored. It cannot also be denied that some people escape tax under the present system. Therefore it is proposed to appoint an Expert Commission to make a report on levying agriculture income tax scientifically based on the extent, productivity and income of the holdings ensuring at the same time that the Government gets higher income from this source.

70. The net additional yield in 1986-87 from the various resources mobilisation measures including stamps, registration and lotteries mentioned above is expected to be Rs.32 crore. After setting apart an amount of Rs.4.10 crore required for the new programmes announced earlier, the net realisation from these measures will be Rs.27.90 crore.

## **FINANCIAL MANAGEMENT**

### **Background**

71. While presenting the budget of 1985-86, I had given an outline of the severe resources problems faced by the Government. The increase in non-Plan expenditure – particularly for payment of dearness allowance – during the Sixth Plan period, the excess investment of Rs.200 crore in the Sixth Plan, the consequent deficit of nearly Rs.300 crore, the recommendations of the Eighth Finance Commission which were unfavourable to Kerala, the huge non-Plan gap resulting from those recommendations during the Seventh Plan period, the strict policy of the Centre against overdrafts were all factors which placed the State's financial management in a crisis situation of formidable dimensions.

72. However, I had also assured the House at that time, that, in spite of all those adversities which could demoralise even richer States, we will go ahead with courage and confidence in our efforts to accelerate the pace of the State's economic development. I have great pleasure and pride in informing the Honourable Members that the Government have fulfilled that promise. I may be permitted to give the House a resume of the dedicated resources management effort which made this possible.

### **Improvement in 1984-85, Accounts 1984-85**

73. I have already stated that though the officials of the State Government and the Planning Commission had anticipated a closing deficit of Rs.297 crore for 1984-85, the actual deficit was less by Rs.92 crore. This was made possible without avoiding any developmental or important non-developmental expenditure. It is true that certain restrictions were imposed, but all the important items of expenditure were exempted from these restrictions. The Plan expenditure for 1984-85 was also higher than the approved outlay by Rs.56 crore. So without any reduction in developmental or other important expenditure, the closing deficit of 1984-85 was reduced by Rs.92 crore.

### **Liabilities, problems in 1985-86**

74. When the Planning Commission finalised the annual plan of the first year of the Seventh Plan 1985-86, there was an understanding about the deficit of the Sixth Plan. The understanding was that Rs.17.5 crore representing 10% of the overdraft component of Rs.175 crore in the deficit of Rs.205 crore should be repaid to the Reserve Bank in 1985-86 and that the balance

should be repaid within the Seventh Plan period. This was the same approach that the Planning Commission adopted to all States which had a deficit 1984-85. Therefore, when we took up the implementation of the current year's Plan, our responsibility was to generate resources of Rs.372.5 crore – resources of Rs.355 crore for finalising the Plan and Rs.17.5 crore for repayment of part of the overdraft. But after the finalisation of the Annual Plan, the Central Government brought about an important change in this arrangement. Instead of allowing the States to repay the overdraft during the Seventh Plan period, the Centre decided that the entire overdraft should be cleared in 1985-86. However to help clearing the overdraft, the Central Government allowed a medium term loan. The loan so allowed to States was equal to 90% of each State's overdraft as on 28<sup>th</sup> January 1985. The medium term loan we received was Rs.241.86 crore.

75. This new policy adopted by the Government of India was helpful to us. The main reason was the improvement in our financial position in 1984-85. On 28<sup>th</sup> January 1985 our deficit was Rs.299 crore, including Rs.269 crore overdraft and Rs.30 crore ways and means advance. By 31<sup>st</sup> March 1985 the deficit including overdraft and ways and means advance to be repaid to the Reserve Bank was reduced to Rs.205 crore. Therefore, from the medium term loan of Rs.242 crore, after repaying the Reserve Bank Rs.205 crore a balance of Rs.37 crore remained.

76. But additional liabilities for an amount much higher than this balance had to be undertaken by the Government in the current year, after the presentation of the budget. Moreover, the receipts expected by way of taxes and interest from public sector organisations like the Road Transport Corporation and Electricity Board could not be fully realised. The main items under which additional liabilities had to be undertaken are mentioned below:

77. In the current year's Plan expenditure there is an excess of Rs.16 crore over the approved outlay of Rs.355 crore. This is the most important item of additional commitment. This year the Central Government gave us generous assistance to meet flood relief expenditure. Further, they also relaxed the usual practice of allowing only 75% of the ceiling of expenditure on flood relief as Central grant. In this respect they accepted our Chief Minister's request that the special dispensation envisaged by the Finance Commission for severe natural calamities should be applied in our case. Consequently, we received Central assistance equal to 88% of the relief expenditure of that sanctioned by the Government of India. But the balance of 12% of that expenditure had to be met by us. For this item alone, Government had to undertake an additional liability of Rs.14 crore.

78. Though the funds required for pay revision had not been included in the current year's budget, provision was made for this expenditure while finalising the Annual Plan 1985-86. Therefore, on this account no additional liability had to be undertaken over the Plan estimates. But to implement the Court decision that the liberalised pension should be given from April 1979, Government had to undertake an extra commitment of Rs.7 crore this year.

79. An amount of Rs.3 crore was additionally spent for buying paper for textbook printing. For meeting the expenditure on land acquisition for the Naval Academy, further funds to the tune of Rs.5 crore had to be made available. A temporary loan of Rs.3 crore given to the Cashew Development Corporation this year could not be repaid by them as stipulated during the year. Therefore, on that account, the Government's extra commitment was Rs.3 crore. A similar loan of Rs.2 crore given to CAPEX also turned out to be a net additional liability to State Government. In order to attract more funds from the Government of India for the NREP Scheme, we had to increase our original allocation by Rs.2.60 crore. Additional expenditure on Unemployment Allowance and Agricultural Workers' Pension was Rs.2 crore and Rs.1 crore respectively. The shortfall in the receipt expected from the Road Transport Corporation and the Electricity Board amount to Rs.30 crore. Under the above mentioned important items alone additional commitment exceeding Rs.85 crore had to be met by the State Government in the current year. As we have not issued any economy orders this year, even the normal expenditure has gone much above the budget provisions

in many cases, and such excess is not included in the assessment given above. Against this background, after fully utilising the balance of Rs.37 crore remaining in the medium term loan of Rs.242 crore, State Government had to face the possibility of a further deficit of Rs.48 crore.

80. As the Central Government have stopped the overdraft facility to all the States, it is not enough to avoid a deficit. To meet the bunching of expenditure on certain occasions, there should always be a surplus. For instance, in our case, occasions like Onam, Bakrid and Christmas result in considerable flow of funds from the Government. Even if the budget of the year does not have a deficit over all, there could be overdraft on such occasions. If the overdraft persists for more than seven days Government bills and cheques would be dishonoured. This would mean that the Government's working would come to a halt. If the Government proceeded with the deficit of Rs.48 crore mentioned above, such a crisis would have been inevitable.

### **Discussions for finalising 1986-87 Plan**

81. Simultaneously, we had to face another problem – the generation of resources for next year's plan. The biggest difficulty was the non-Plan deficit resulting from the recommendations of the Eighth Finance Commission. Honourable Members may recall that quoting facts and figures, I had explained in the last budget speech how unhelpful those recommendations were. According to the joint assessment made in the Planning Commission, for 1986-87, the non-Plan gap would be Rs.351 crore. This had to be cleared. The State Government was particular that there should be substantial increase in the Annual Plan for 1986-87. To ensure at least 10% increase, the outlay should be Rs.390 crore. Even for that level of outlay to be financed after meeting the non-Plan deficit of Rs.351 crore, the total requirement of funds would be Rs.741 crore. Central assistance for the Plan 1986-87, including the advance of Rs.75 crore which was allocated as a special consideration by the Centre, is Rs.280 crore. We are expected to raise Rs.139 crore as open market loans and negotiated loans. The balance of Rs.322 crore had to be raised from our own budgetary and other sources. Assessing the overall position, the Planning Commission pointed out that to meet this requirement, in addition to receipts from normal sources the State would have to do in 1986-87, additional resources mobilisation of Rs.130 crore. It was obvious that so high an amount could not be collected by increasing tax rates. In this background also, the closing position of the current year became particularly important. In the discussions with the Planning Commission, Chief Minister and myself explained to them the sources from which we would raise this level of additional resources. While doing so, we undertook the responsibility to ensure that the current year would, after fully meeting the Plan expenditure and all other essential expenditure, generate a sizeable surplus to be utilised for investment in the next year's plan as part of our additional resources mobilisation effort. This is a commitment, the like of which the Government of Kerala has never dared to undertake before.

### **1985-86 Achievement – Revised Estimate**

82. So, the generation of a surplus this year acquired importance in two ways. Such a surplus became necessary to avoid a crisis in Government's functioning in a situation where overdraft is disallowed and the surplus became even more essential for increased investment in the next year's plan.

83. Against this background, I have great pleasure in informing the Honourable Members that, according to the revised estimates for 1985-86 presented in the budget, the current year will close not only without any deficit, but with a surplus of Rs.82.13 crore. We are generating the surplus in a year when we were facing the possibility of a deficit of Rs.48 crore. That is to say that even excluding the increase of Rs.30 crore in the share of central taxes in one year, we have achieved improvement to the extent of Rs.100 crore. When the improvement of Rs.92 crore realised in 1984-85 is also taken into account, the overall improvement in the State's financial position in

two years is Rs.192 crore. Never before in the history of the State could we generate such a surplus or realise this high improvement over budget and plan estimates in the short span of two years.

### **Overdraft cleared – Daily surplus**

84. We could achieve a similar improvement in the daily ways and means position also. As I pointed out earlier, on the 1<sup>st</sup> of October 1985 the Government of India stopped the State's overdrafts. Since that date Government of Kerala has not been in overdraft at all. The Government have not utilised any part of even the permissible ways and means advance. We have incurred all expenditure from funds available in our account. Moreover, on every day since the 1<sup>st</sup> of October, we have maintained substantial surplus in our account with the Reserve Bank. According to the agreement between the Government and the Reserve bank, the daily minimum balance to be retained in the account is Rs.60 lakh. When the surplus exceeds that limit, in order to see that the State does not lose some return on the funds, the Reserve Bank invests the surplus in Treasury Bills of the Government of India, allowing discount. Depending on the progress of expenditure and receipts, the bank either encashes the Treasury Bills or invests more funds in the bills. Our daily balance consisting of cash balance and Treasury Bill holding has been substantial on every day since the beginning of October. For instance, on the 17<sup>th</sup> of October, the Government's surplus was Rs.97 crore. On November 13<sup>th</sup> the surplus was Rs.113 crore. Rs.121 crore was available as surplus on 16<sup>th</sup> December 1985. On 15.01.1986 and 14.02.1986 the surplus was Rs.95 crore and Rs.97 crore respectively. On 15<sup>th</sup> March 1986 the surplus of the Government of Kerala was Rs.98 crore. It is clear from this that the revised estimate regarding the closing position is in no way unrealistic. Perhaps the actual balance may be a little better.

### **1986-87 – Budget position**

85. After taking credit for the opening surplus of Rs.82.13 crore and the net additional resources mobilisation of Rs.27.90 crore announced earlier in the speech, the budget position in 1986-87 can be summarised as below:-

	<i>(Rs. in crore)</i>
<b>1986-87 Operations</b>	
(i) Revenue Account	
(a) Receipts	1418.88
(b) Expenditure	1520.99
(c) Revenue Deficit	(-)102.11
(ii) Capital Account	
(a) Receipts	441.05
(b) Disbursement	472.33
(c) Net Capital Account	(-)31.28
(iii) Public Account	
(a) Receipts	1651.36
(b) Disbursements	1577.37
(c) Net Public Account	73.99
(iv) Additional Resources Mobilisation 1986-87 (Net)	27.90

(v) Opening Surplus	82.13
(vi) Closing Surplus	50.63

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### **Programmes to clear arrear bills**

86. In view of the improvement in the State Government's financial position, it has been decided to tackle a long standing problem. There are pending arrear bills in different departments. It is essential to understand the reason for this. The purpose of planning is to take up developmental programmes in a well thought out order of priority, within the resources available. If the State Government can afford to take up all programmes simultaneously, there is obviously no need for the process of planning. Every year the assessment of plan resources is made by determining the amounts available after meeting the non-Plan expenditure, the amounts that can be borrowed from the open market and financial institutions and the available central assistance. The size of the plan is fixed on the basis of the resources so arrived at. When such a Plan is implemented, it is very crucial that no sector takes up commitments which cannot be reasonably accommodated within the available plan provision for that sector. However, in our State, this basic principle has not been strictly followed. This deviation has happened during the time of all successive Governments. But when such commitments exceed resources availability, it becomes difficult to make payments. In course of time, these bills fall into heavy arrears. This problem cannot be solved on a permanent basis in terms of financial management, however efficient it is. The real solution is to establish a system to correctly assessing the viability of each project and to achieve a balance between all such new ventures and the availability of Plan funds in the relevant sector. However, a temporary solution for the problem of arrear bills cannot be delayed much, particularly because, after many years, the State Government's financial position has improved. Government have therefore accepted a programme to clear the arrears in a phased manner. For this, we are providing Rs.20 crore this year and Rs.15 crore next year. This amount is allocated in addition to all normal Plan and non-Plan expenditure provided for in the budget. This year's allocation of Rs.20 crore has already been covered in the supplementary demands passed by the House.

87. According to the Annual Financial Statement presented in the House, the current year will close with a surplus of Rs.82.13 crore and 1986-87 will close with a surplus of Rs.22.73 crore. After taking credit for the yield from the financial proposals announced in this speech, the surplus at the close of 1986-87 will increase to Rs.50.63 crore. Against the background of this improvement, special allocation of Rs.20 crore and Rs.15 crore have been made this year and next year respectively for paying arrear bills. Even after taking into account this special allocation, the year 1985-86 will close with a surplus of Rs.62.13 crore and 1986-87 will close with a surplus of Rs.15.63 crore. So, the budget I have presented to the House is a surplus budget of Rs.15.63 crore.

88. I should however make it clear that a surplus in the State's budget and the State Government's account with the Reserve Bank does not mean that our financial problems have all been solved. As I have pointed out already, if we have to meet Plan and non-Plan expenditure without running into overdraft we should always have a comfortable cash surplus. Otherwise we will once again slip into overdraft during the early period of the financial year when Government's receipts are low and on some occasions of bunching of expenditure. Therefore, I do not propose to make the claim that all problems have been solved. But I do claim that we have left behind the most difficult period. After filling the daily average deficit of Rs.60 lakh arising from the unfavourable recommendations of the Eighth Finance Commission, we have, during the current year, generated a daily average surplus of Rs.22 lakh. That is to say, we have achieved a daily improvement of Rs.82 lakh. Our financial management has successfully met the challenge raised by a formidable combination of extremely adverse circumstances.

89. Quoting a famous 'Sloka' from the 'Gita' and drawing inspiration from the self confidence of our people I had concluded my budget speech last year stating, "the extremely difficult job we do immediately, the impossible ones take a little longer". Within the last one year, the Government have accomplished a task that looked almost impossible at that time.

90. To reach out to new heights, the foundation should be solid. We have long been engaged in building that foundation. I do believe that we have now entered the path of success. This gives me a sense of fulfilment while presenting my eighth budget. Let us renew our pledge to toil for a bright future for this land and its people.

91. I submit the Budget Estimates and proposals for consideration and approval by the House.

92. Since we do not have the time for a grant by grant discussion and voting by the House before the end of the financial year, I also propose to present a Vote on Account and connected Demands for meeting the expenditure during the first four months of 1986-87.

K. M. MANI

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